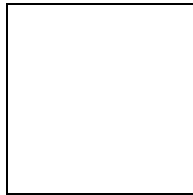


Annual Report



HFC REIT

Annual Report & Financial Statements 2008

THE MANAGER

Name:	HFC Investment Services Limited (HFCISL)
Country of Incorporation:	Ghana
Registration Number:	50,533
Nature of Corporate Form:	Limited liability, wholly-owned subsidiary of the HFC Bank (Ghana) Ltd.
Registered Office:	Ebankese No. 35 Sixth Avenue, North Ridge P. O. Box CT. 4603 Cantonments, Accra
Principal Place of Business:	HFC Bank (Ghana) Ltd., Ridge Branch 6 Sixth Avenue, West Ridge Ridge Ambassadorial Enclave, Ridge, Accra
Date of Incorporation:	7 TH JULY 1993 (Name changed from Home Finance Investment Fund Limited to HFC Investment Services Limited on 1 ST OCTOBER 2001).
Capitalization (as at December 31 2008)	
Authorized:	1,000,000 (One million) Ordinary shares of no Par value
Issued:	100,000 shares
Auditors:	PriceWaterHouseCoopers Chartered Accountants UNA Home, Accra

Table Of Contents

Notice of Annual General Meeting	4
Statement of Trustees Responsibilities	5
Trustees Report	6
Manager's Report	7- 14
Auditor's Report	16 - 17
Financial Statement	18 - 20
Notes to the Accounts	21 - 24
Admission Form	25
Proxy Form	26

HFC REIT

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the First Annual General Meeting of Unitholders will be held at the Ebenezer Presbyterian Church Hall, Osu, Accra **at 11.00am on 21st July, 2009** to transact the following businesses:

AGENDA

1. To receive the report of the Manager for the Year 2008.
2. To receive the Audited Statement of Income and Expenditure and Distribution Statement of HFC Real Estate Investment Trust (HFC REIT) for the financial year ended December 31, 2008 together with the Trustees and Auditors reports thereon.
3. To authorize the Manager to fix the remuneration of the Auditors for Year 2009.

A Unitholder has the right to appoint a proxy to attend and vote on his/her behalf at the Meeting. Such a proxy need not be a Unitholder. A copy of the instrument appointing the proxy may be deposited at any time prior to the commencement of the Meeting at the principal place of business of the Manager.

**HFC Investment Services Limited
6 Sixth Avenue, West Ridge
Ridge Ambassadorial Enclave, Ridge
Accra**

Dated 6th May 2009

By Order of the Manager.

**JOSEPH NKETSIAH
For: HFC Investment Services Limited**

HFC REIT

STATEMENT OF TRUSTEES RESPONSIBILITIES

The Trust Deed requires the Trustees to prepare financial statements for each financial period, which gives a true and fair view of the state of affairs of the HFC REIT. In preparing the financial statements, the Trustees are required to:

- Select suitable accounting policies and apply them consistently,
- Make judgments and estimates that are responsible and prudent,
- State whether applicable accounting standards have been followed, subject to any material departures, disclosed and explain them in the financial statements, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Investment Trust will continue in business.

The Trustees are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the HFC REIT, which will ensure that the financial statements comply with the Trust Deed and Securities Industry Law, 1993 (PNDCL 333). They are also responsible for safeguarding the assets of the Investment Trust and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The statements should be read in conjunction with the statement of the Auditors' responsibilities as set out on page 16, the respective responsibilities of the Trustees and the Auditors in relation to the financial statement.

REPORT OF THE TRUSTEES TO THE UNITHOLDERS OF THE HFC REIT

In our opinion, according to the information made available to us and the explanations provided, we confirm that in all material respects, the manager has managed the scheme during the period covered by these financial statements in accordance with the Trust Deed dated 1st December 2006 and all regulations for the time being in force under the Securities Industry Law, 1993 (PNDCL 333).

Dated this..... Day of.....2009

Signature required

For: MERCHANT BANK (GHANA) LIMITED

FUND MANAGER'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2008

ECONOMIC OVERVIEW OF YEAR 2008

Introduction

The Ghanaian economy witnessed significant expansion through robust revenue generation and a disproportionately high expenditure levels as has been indicated by provisional fiscal data for 2008. These were contained in the midst of the global food and crude oil crisis which threatened macro-economic stability particularly in emerging markets and developing countries.

Inflation

Inflation, which was 12.7% as at December 2007 consistently moved upward to 18.41% as at the end of the second quarter. It declined steadily to 17.44% by November 2008 before edging up to close the year at 18.13%. The rise in inflation was primarily a result of global food shortages and high energy prices. On the local front, increase in domestic demand and the fast pace of economic activity contributed to inflation levels recorded at the end of the year.

Interest rate

Interest rates generally moved upwards in 2008. The Prime Rate was increased on three occasions. From 13.5% at the beginning of the year, it went up to 14.5% in March, 16.0% in May and rose again in July to 17.0%. In response to the Prime Rate trends, average interest rates on Government Securities and inter-bank market also went up during the year. The benchmark 91-Day Treasury bill gained 14.06 percentage points to close the year at 24.67%. The 1-Year and the 2-Year Notes also increased by 7.70% and 8.20% to close the year at 20.0% and 21.0% respectively. The base rates of banks followed an upward trend in line with the direction of rates on Government Securities. The average base rate of banks in Ghana was 26.12% as at the end of September 2008. This was revised upward in the fourth quarter to an average of 27.22%.

Exchange rates

On the inter-bank market the Cedi was steady during the first quarter of the year. However, in the second quarter, it weakened sharply and by the end of the first half of the year, it had depreciated by 6.0%, 4.6% and 11.7% against the US Dollar, the Pound Sterling and the Euro respectively. The performance of the Cedi in the second quarter was partly as a result of the re-alignment of major international currencies, a surge in demand for foreign exchange to meet higher oil and food prices and servicing of external debt.

The local currency continued to depreciate against the US Dollar and the Euro but traded strongly against the Pound Sterling in the second half of the year. On annual basis, the Cedi depreciated by 20.1% and 16.1% against the US Dollar and the Euro respectively, but appreciated by 5.2% against the Pound Sterling.

Real GDP

The slippage in the growth of the economy in 2007 manifested in the first few months of 2008. Macro-economic balances weakened and thus increased the country's external vulnerabilities. Provisional data point to a growth in the GDP in the region of 6 to 7 percent for the year 2008.

REAL ESTATE SECTOR

The year under review saw a slowdown in development in the real estate sector as compared to the previous year. This was as a result of the slowdown in the global economy. The Government however delivered on her promise to provide affordable housing for Public Servants. The special mortgage scheme set up by the Government in collaboration with HFC Bank provided 113 houses for Public Servants at Kasoa and Kuntunase.

FUND PERFORMANCE FOR 2008

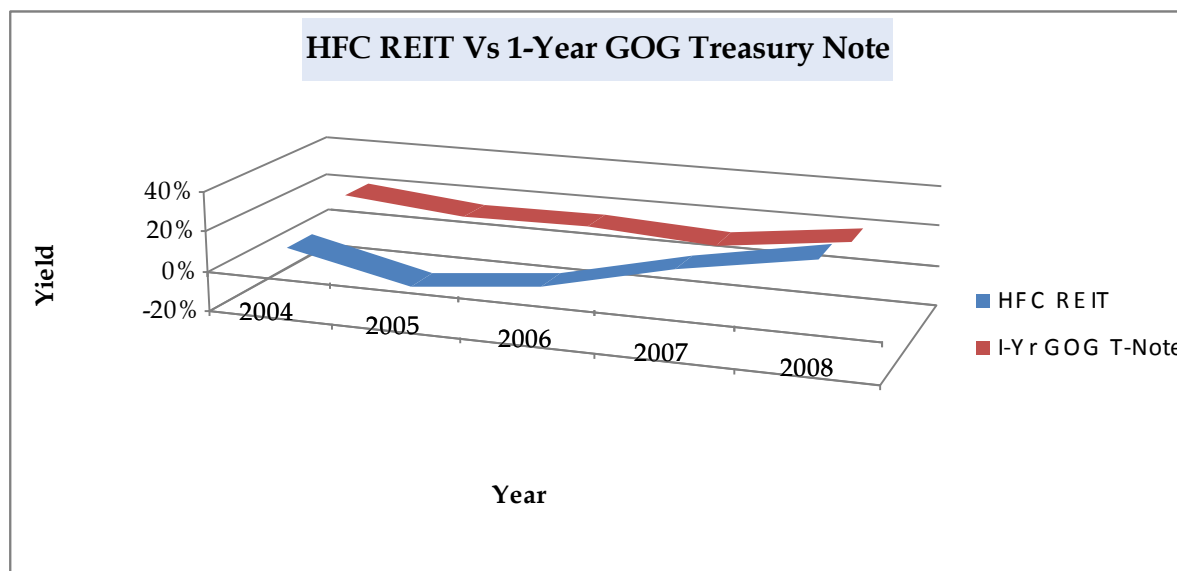
HFC REIT completed construction and sold 4 No. two-bedroom semi-detached houses at Community 18 in Tema. It also sold the 4 No. four-bedroom two-storey up-mark houses at

Cantonments. In addition, it began work on a 2 No. four-bedroom duplex at the AU Village in Cantonments.

Your Fund awarded contract for work to begin on the construction of 30 No. two-bedroom semi-detached houses at Community 25 in Tema.

REIT Vs I-Year GOG Treasury Note

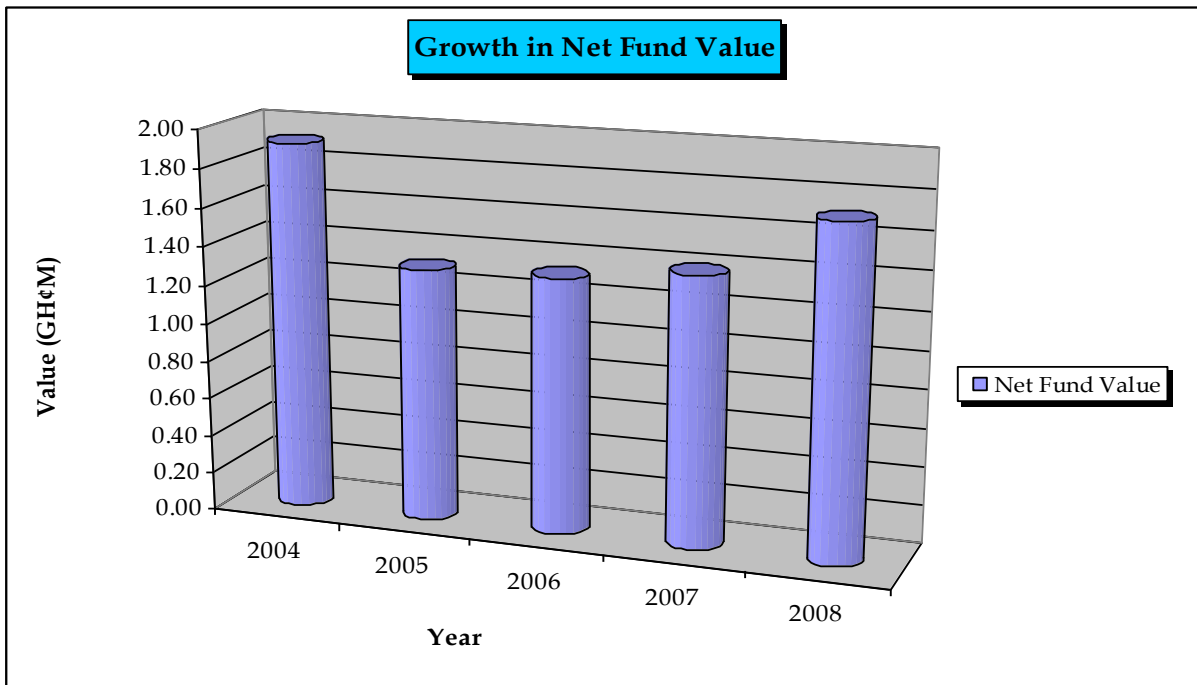
	2004	2005	2006	2007	2008
HFC REIT	10%	-3.88%	2.39%	17.50%	28.97%
I-Yr GOG T-Note	21.00%	15.50%	15.50%	12.30%	20.00%



The cumulative effect of these activities helped the Fund to achieve a yield of 28.97% for year 2008 as compared to 17.5% for the previous year. The fund value also increased from GH¢1.4 million in 2007 to GH¢1.71 million.

Growth in Net Fund Value-REIT

Year	2004	2005	2006	2007	2008
Value (GH¢M)	1.92	1.32	1.33	1.40	1.71



OUTLOOK FOR YEAR 2009

The year 2009 looks promising. HFC REIT hopes to complete construction and sale of the following projects:

1. 2 No. four-bedroom two storey duplex at the AU Village
2. 30 No. two-bedroom semi-detached houses at Community 25, and
3. Acquire 3 No. three-bedroom up market residential properties in East Legon for rental

With these developments, your Fund is expected to achieve a remarkable growth in value and also a high yield. This is your best opportunity to increase your investment in HFC REIT.

JOSEPH NKETSIAH
GENERAL MANAGER

REPORT OF THE AUDITORS TO THE UNITHOLDERS OF HFC REAL ESTATE INVESTMENT TRUST ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

We have audited the accompanying Balance Sheet of HFC REIT as at 31st December 2008 and the related statements of Income and Expenditure Account for the year then ended. These financial statements have been prepared under the accounting policies set out therein.

Respective Responsibilities of Trustees and Auditors

The Trustees of the HFC REIT are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

We have conducted our audit in accordance with International Standards on Auditing. An audit includes examination on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the financial statements and of whether the accounting policies are appropriate to the HFC REIT circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we required in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

The financial statements are in agreement with the books of account, which in our opinion have been properly kept. We obtained the information and explanations we required. In our opinion the financial statements give a true and fair view of the state of affairs of the HFC REIT as at 31 December 2008 and of the Income and Expenditure Account for the year then ended and have been properly prepared in accordance with the Securities Industry Law, 1993 (PNDCL 333) and Ghana National Accounting Standards.

Farrar Avenue
Accra.

**PANNELL KERR FORSTER
CHARTERED ACCOUNTANTS**

..... 2009.



Accountants &
business advisers

HFC REIT

FINANCIAL STATEMENTS

31 DECEMBER 2008

HFC REAL ESTATE INVESTMENT TRUST
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2008

	NOTES	<u>2008</u> GH ¢	<u>2007</u> GH ¢
INCOME		618,714	83,329
		<hr/>	<hr/>
Less Expenses			
Management Fees	2	28,075	20,642
Audit Fees		7,500	5,750
Other Expenses	3	43,592	8,315
		<hr/>	<hr/>
		79,167	34,707
		<hr/>	<hr/>
NET INCOME		539,546	48,622
		<hr/>	<hr/>
Net Surplus Transferred to Distribution Account		539,546	48,622
		<hr/> <hr/>	<hr/> <hr/>

**DISTRIBUTION ACCOUNT
YEAR ENDED 31 DECEMBER 2008**

Balance 1 January	261,391	212,769
Net Surplus For The Year	539,546	48,622
	<hr/>	<hr/>
Balance 31 December	800,937	261,391

HFC REAL ESTATE INVESTMENT TRUST
BALANCE SHEET
AS AT 31 DECEMBER 2008

	NOTES	<u>2008</u> GH ¢	<u>2007</u> GH ¢
ASSETS			
Investment Properties	4	627,322	1,347,145
Investments	5	747,703	247,703
Accounts Receivable	6	614,630	125,703
Cash at Bank	7	87,753	45,503
		2,077,408	1,766,054
LIABILITIES			
Commercial Papers	8	0	450,000
Accounts Payable	9	137,960	107,407
Trustees Account		5,844	10,844
Deposits	10	196,583	0
		340,388	568,251
NET ASSETS		1,737,020	1,197,803

AMOUNTS DUE TO UNIT HOLDERS

Capital Account	11	719,187	638,489
Deferred Income	12	216,896	216,896
Capital Surplus	13	0	81,027
Distribution Account		800,937	261,391
		<hr/>	<hr/>
		1,737,020	1,197,803
		<hr/> <hr/>	<hr/> <hr/>

SIGNED FOR HFC INVESTMENT SERVICES LIMITED.....2009

.....
GENERAL MANAGER

.....
DIRECTOR

HFC REAL ESTATE INVESTMENT TRUST
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	<u>2008</u> GH ¢	<u>2007</u> GH ¢
Cash flows from Operating Activities		
Net Surplus for the year	539,546	48,622
Revaluation Surplus	(81,027)	0
	<u>458,519</u>	<u>48,622</u>
Changes In Working Capital		
(Decrease) / Increase In Accounts Receivable	(488,927)	96,083
Increase / (Decrease) In Deposits	196,583	(100,873)
Increase / (Decrease) In Accounts Payable	30,553	(5,287)
Payment to Trustees	(5,000)	0
	<u>191,729</u>	<u>87,167</u>
Cash Flows from Investing Activities		
Decreased / (Increased) in Investment Properties	719,823	(485,783)
	<u>719,823</u>	<u>(485,783)</u>
Cash Flow from Financing Activities		
Commercial Papers	(450,000)	150,000
Value of Units Sold and Converted	732,145	962
Value of Units Disinvested	(651,447)	(34,057)
	<u>(369,302)</u>	<u>116,905</u>
Net Increase in Cash and Cash Equivalents	542,250	(330,333)
Balance at 1 January	293,206	623,539
	<u>835,456</u>	<u>293,206</u>
Cash And Cash Equivalents		
Bank and Cash Balances	87,753	45,503
Short Term Investments	747,703	247,703
	<u>835,456</u>	<u>293,206</u>

HFC REAL ESTATE INVESTMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2008

1 ACCOUNTING POLICIES

The significant accounting policies adopted by the Trust and which have been used in preparing these financial statements are stated below:

1.1 Basis of Accounting

The Trust prepares the financial statements under the historical cost convention as modified by the revaluation of Properties.

1.2 Income

Income from Sale of properties is recognised only when the trust has transfer ownership of the property to the buyer.

1.3 Investments

Investments in bills and bonds have been stated at cost. Investments in properties have been stated at current market values. Investment income is accounted for on accrual basis.

1.4 Foreign Currency

Assets and liabilities denominated in foreign currencies are translated into cedis at the exchange rates ruling at the balance sheet date Investments.

Gains and losses resulting from foreign currency translation are included in the income and expenditure statement for the year.

2 MANAGEMENT FEES

This is based on 2% of the fair market value of the total assets owned by the Trust.

3 OTHER EXPENSES comprise of the following:

	<u>2008</u>	<u>2007</u>
	GH ¢	GH ¢
Bank Charges	1,614	295
Sales Commission	29,804	0
Interest Expense	4,303	744
General Expenses	7,872	7,276
	43,593	8,315

4	INVESTMENT PROPERTIES		
	Land-Serviced Plots	241,949	194,766
	Work in Progress-Batsonaa Ghana @ 50 Project	315,373 70,000	0 1,152,379
		627,322	1,347,145
5	INVESTMENTS		
	Joint Venture Reit Top Housing Estate Ltd.	247,703	247,703
	Commercial Paper	100,000	0
	Fixed Deposits	400,000	0
		747,703	247,703
6	ACCOUNTS RECEIVABLE		
	HFC-Current Account	64,461	64,461
	Deposit for Houses Property Debtors	538,695 0	0 61,242
	Interest Receivable	11,474	0
		614,630	125,703
7	CASH AT BANK AND ON CALL		
	Cash at Bank	87,753	45,503

	2008 GH¢	2007 GH¢
8 COMMERCIAL PAPER		
HFC-Unit Trust	0	350,000
HFC-Investment Services Limited	0	100,000
	<hr/>	<hr/>
	0	450,000
	<hr/> <hr/>	<hr/> <hr/>
9 ACCOUNTS PAYABLE		
Management Fees	7,763	228
UT- Current Account	8,324	7,473
HFC-ISL Forex Account	800	0
Other Creditors	83,845	0
Accruals	37,228	99,706
	<hr/>	<hr/>
	137,960	107,407
	<hr/> <hr/>	<hr/> <hr/>
10 DEPOSITORS		
Amounts paid by customers in respect of subsequent purchase of houses.	196,583	0
	<hr/> <hr/>	<hr/> <hr/>

11 CAPITAL ACCOUNT	<u>2008</u>		<u>2007</u>	
	Units	GH ¢	Units	GH ¢
Balance at 1st January	2,778,930	638,489	2,855,538	671,584
Value of Units sold & Converted	<u>354,592</u>	<u>732,145</u>	<u>1,060</u>	<u>962</u>
	3,133,522	1,370,634	2,856,598	672,546
Value of Units Disinvested	<u>(160,863)</u>	<u>(651,447)</u>	<u>(77,668)</u>	<u>(34,057)</u>
	2,972,659	719,187	2,778,930	638,489
Balance at 31 December	<u>2,972,659</u>	<u>719,187</u>	<u>2,778,930</u>	<u>638,489</u>

12 DEFERRED INCOME

This represents accrued interest on Medium term loans granted to the Joint Venture Projects.

	<u>2008</u>	<u>2007</u>
	GH ¢	GH ¢
Balance - 31 December	<u>216,896</u>	<u>216,896</u>

13 CAPITAL SURPLUS

This represents Surplus on Revaluation of properties at 31 December 2003. The Valuation of the properties was carried out by Ben Dwimoh & Co. (Chartered Surveyors), at open market value.

HFC REIT/Admission Form

Annual General Meeting to be held at the Ebenezer Presbyterian Church Hall, Osu, Accra at 11:00 am on 21st July 2009.

A Unitholder who is unable to attend an Annual General Meeting (AGM) is allowed to vote by proxy. The Proxy form on the next page has been prepared to enable you to exercise your right to vote in case you cannot personally attend the meeting.

Provision has been made on the form for the Chairman of the meeting to act as your proxy, but if you wish, you may insist in the blank space on the form (marked**) the name of any person whether a Unitholder or not, who will attend the meeting and vote on your behalf instead of the Chairman of the Meeting.

Please sign the proxy form on the next page and post it so as to reach the address in the front not later than 30th June 2009.

If executed by a Body Corporate, the proxy form should bear its common seal or be signed on behalf by a director.

IMPORTANT:

- a) The name of the Unitholder must be written in BLOCK LETTERS on the Proxy form where marked (**)
- b) This admission form must be produced by the Unitholder or his/her proxy in order to obtain admission to the Annual General Meeting.
- c) Unitholders or their Proxies are requested to sign the admission form before attending the meeting.
- d) In case of joint holders, each joint holder should sign.

HFC REIT / Proxy Form

Annual General Meeting to be held at the **Ebenezer Presbyterian Church Hall, Osu Accra** at 11:00 am on Monday, **21st July 2008**.

I/we** _____ being a Unitholder(s) hereby appoint

_____ or failing him/her the Chairman of the Meeting as my/our proxy to act and vote for me/us and on my/our behalf at the Annual General Meeting of the Fund to be held on 21st July 2008 and at any adjournment thereof

Dated this _____ day of _____ 2009

Unit Holder(s) Signature

Resolution	For	Against
To adopt the 2008 Manager's Report		
To approve the accounts and distribution statement for the financial year ended 31 st December, 2008.		
To authorize the Manager to Fix the Auditor's Remuneration		

Please indicate with an "X" in the appropriate square how you wish your votes to be cast on the resolution set out above.

Unless otherwise instructed the proxy will vote for or abstain from voting at his/her discretion.

(Do not complete this form if you will attend the meeting)